



BellSouth Telecommunications, Inc.
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October 26, 2001

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General Counsel

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2001 OCT 26 PM 3 42
EXECUTIVE SECRETARY

David Waddell, Executive Secretary
Tennessee Regulatory Authority
360 James Robertson Parkway
Nashville, TN 37238

Re: *Complaint of Access Integrated, Inc. Against BellSouth
Telecommunications, Inc.*
Docket 01-00808

*Complaint of XO Tennessee, Inc. Against BellSouth
Telecommunications, Inc.* Docket 01-00868

Dear Mr. Waddell:

Attached to this letter are fourteen copies of BellSouth's non-proprietary responses to the Authority Staff's 1st Data Requests in the above dockets. These responses contain further background concerning BellSouth's sales activities that are the subject of the referenced complaints. Although it is not directly responsive to the Data Requests, this information will be helpful to provide the appropriate context for consideration of the complaints of Access Integrated and XO.

Responses containing proprietary information, including customer lists, will be provided upon entry of the protective orders.

Very truly yours,

Guy M. Hicks

GMH:ch
Enclosure

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket Nos. 01-00808 and 01-00868
Staff's 1st Data Requests
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Item No. 1
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REQUEST: For the customer referenced in the XO Complaint (Docket 01-00868), did the customer receive three free months of service per the representation in the email? Has the customer signed any contractual documents related to the offer of three free months of service? If so, please provide copies of all such documents.

RESPONSE: No. The customer referenced in the XO Complaint did not sign any contractual documents related to any offer of free months of service.

By way of further answer, the XO Complaint actually related to offers of two separate BellSouth programs. First, BellSouth's 2001 Key Business Discount Program ("2001 Key Program") was filed with the Authority and took effect on June 26, 2001. The 2001 Key Program offered qualified Tennessee customers in eligible wire centers, discounts on BellSouth tariffed services. The discounts vary depending on the monthly total billed revenue and the term of the contract executed by the customer. The 2001 Key Program is available to both new and existing BellSouth customers.

Second, BellSouth Select, Inc., a direct subsidiary of BellSouth Corporation, offers and manages a corporate-wide program, designed to offer benefits to customers who demonstrate loyalty to BellSouth by purchasing regulated and unregulated services from the BellSouth family of companies. This program is similar to airline frequent flyer programs in concept and design. The entire cost of running this program is charged and accounted for as a non-regulated expense to BellSouth companies that participate. This program is administered and offered by BellSouth Select, Inc. and not by BellSouth Telecommunications, Inc.

RESPONSE (CONTINUED)

The BellSouth Select approach applicable to BellSouth's Small Business market segment is called "BellSouth Select Business" ("Select Business"). All Small Business customers with billing from BellSouth companies in excess of \$100 per month that have at least one unregulated service are eligible for Select Business. The standard Select Business program awards monthly Select points based on the participant's total monthly BellSouth billing. Prior to November 1, 2001, participants could redeem these accumulated Select points for discounts in a number of ways, including awards provided by Select Business partners (i.e., magazine subscriptions, pagers, travel awards, etc.), discounts on BellSouth unregulated services (three months of free Internet Site Builder, Shared Web Hosting, etc.) and dollars off the total BellSouth bill (by program rules, this applied only to the unregulated portion of the BellSouth bill).

In addition to the standard Select Business benefits, from time to time, bonus Select points are awarded to Select Business participants that subscribe to new services or as a "Welcome to Select" bonus. The complaints by Access Integrated and XO involve the use of these bonus Select Business points. If a customer signed a term agreement under the 2001 Key Program and enrolled in Select Business (requiring that the customer also subscribe to unregulated BellSouth services), depending on the length of the term agreement, the customer would receive bonus Select points with a value equal to one, two or three months of the customer's total BellSouth Telecommunications bill (regulated and unregulated). Depending on the number of bonus Select points awarded, the points would be credited to the customer's Select account in the first, sixth and twelfth

RESPONSE (CONTINUED)

months of Select participation. The bonus Select points were redeemed as a credit against the customer's total BellSouth bill in the month in which the points were awarded.

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REQUEST: Identify all managerial employees who authorized the sales representatives in both of the above referenced complaints to offer three free months of service.

RESPONSE:

BellSouth does not authorize the provision of "free" or "complementary" local service in violation of BellSouth's tariff's or local filings. The offer in question involved the 2001 Key Business Discount Program offer and BellSouth Select Business.

Unfortunately, due to improper program implementation, including defective training materials for those engaged in efforts to sell the 2001 Key Program and to enroll customers in BellSouth Select Business, the benefits of these two separate offers were not accurately described to the customers that were contacted. Rather than describing the separate sets of benefits for the 2001 Key Program (discounts on regulated services pursuant to filed promotions) and BellSouth Select Business (earn points that can be redeemed for multiple unregulated benefits, including a credit against the total BellSouth bill), certain sales personnel described the offer as including "free" or "complementary" months of local service. This was not the design or the intent of either the 2001 Key Program or BellSouth Select Business.

The BellSouth manager with responsibility for the development of the subject offer, including the development of the training material is Don Livingston. The BellSouth manager responsible for the sales channel involved in the attempted sale that is the subject of the complaint filed by XO Tennessee, Inc. (Docket 01-00868), is Michael Sisk. The BellSouth manager responsible for the sales channel involved in the attempted sale that is the subject of the complaint filed by Access Integrated Networks, Inc. (Docket 01-00808), is Kathy Finn.

REQUEST: Identify all customers who have accepted an offer of free local service and have or will be provided free telephone services. Also, indicate whether, at the time the offer was made, the customer was receiving service from BellSouth.

RESPONSE:

Upon entry of a protective order, as described in the responses to Item 6, the Attachment to the response to Item 6 will include a list of the customers who were contacted in connection with the offer described in the response to Item 2 and who signed a 2001 Key Program term agreement.

This will be a complete list, because following receipt of the Access complaint and before receipt of the XO complaint, BellSouth voluntarily suspended efforts to sell the 2001 Key Program and to enroll customers in Select Business in the manner described in the response to Item 2. Because of the concerns evidenced, BellSouth intends to notify all Tennessee customers that signed a term agreement under the 2001 Key Program and enrolled in Select Business as described in the response to Item 2, with a complete explanation of the benefits available under BellSouth Select Business and how the bonus Select points can be redeemed. Effective November 1, 2001, BellSouth will terminate the option to have any Select points, including the bonus Select points redeemed and applied to the BellSouth bill. BellSouth will also allow those customers dissatisfied with this explanation to terminate their 2001 Key Customer term agreement with no termination liability or forfeiture of previously received discounts and either (1) remain a BellSouth customer participating in Select Business or (2) if applicable, return to their previous local provider, at no cost.

REQUEST: What internal controls exist within Bellsouth to ensure compliance with tariff provisions by Bellsouth account representatives and outside agents marketing BellSouth's regulated services?

RESPONSE: It is BellSouth policy to comply with all filed tariffs and/or special promotions. As further explained in the response to Item 3, BellSouth believes that these complaints involve defective description of the offer and do not constitute a violation of BellSouth's tariff obligations. In light of this position, BellSouth provides the following response to this Item 4.

In conjunction with preparing and filing tariffs, BellSouth reviews tariff filings with internal regulatory experts. BellSouth prepares communications and training materials to cover personnel on selling and implementing services contained in the filings. BellSouth periodically conducts internal audits on the sales, installation and billing of services and conducts routine monitoring of calls placed to call centers. We have service order system edits in place where practicable to ensure orders are placed in the systems correctly.

Authorized Outbound Telemarketing Vendors of BellSouth utilize a BellSouth provided sales tool called SBVO (Small Business Vendor Ordering) for pricing regulated services. This tool is a web-based tool that gives the pricing to our vendors. SBVO is updated on a 24-hour basis by a feed from our CRIS system. We notify all vendors of any tariff changes immediately by email and do follow up conference calls if further explanation is needed. BellSouth Marketing prepares communications and training materials to cover vendor personnel on selling and implementing services contained in the filings. All vendor orders for regulated services are processed by BellSouth service

RESPONSE (CONTINUED)

reps at the BellSouth Web Center into ROS and each order must conform to the order standards imposed on all sales channels. Each order uses Universal Service Order Codes which drive the service(s) provisioned and the correct rates charged per tariff.

Authorized Sales Representatives (ASR) of BellSouth use a BellSouth-provided mechanized sales tool called Quote Expert for pricing regulated services. This is the same mechanized tool that our direct sales force uses to sell to business customers. This tool is monitored and updated continuously as tariffs are changed or adjusted. All ASR's also have direct access to all BellSouth tariffs via a web-based portal. Additionally, all orders for regulated services are processed via the BellSouth Vendor Services Center into ROS and each order must conform to the order standards imposed on all sales channels. Each order uses Universal Service Order Codes that drive the service(s) provisioned and the correct rates charged per tariff.

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REQUEST: Has BellSouth modified any of its billing systems used to bill customers in Tennessee to allow free service to be offered to customers? If no, did the capability already exist in any of the billing systems used by BellSouth to bill customers in Tennessee?

RESPONSE: It is BellSouth's policy to comply with all filed tariffs and/or special promotions. Since BellSouth does not authorize free months of local service in violation of BellSouth's tariffs, no BellSouth billing systems used to bill customers in Tennessee have been modified to allow free service to be offered to customers. BellSouth's existing billing systems are capable of reflecting and have been used, where appropriate, to reflect, appropriate bill credits received by Tennessee customers. Such credits typically appear in the OC&C portion (Other Charges and Credits) of the BellSouth bill. This capability already existed and would be used to reflect the credits referenced in the response to Item 1, resulting from the redemption of bonus Select points.

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REQUEST: Provide a list of all customers in Tennessee, including customer contact and telephone number, which BellSouth representatives have enrolled in the Key Business Discount program with since its inception in Tennessee. Indicate if any of these customers have received or will receive free local service at any time they are enrolled in the Key Business Discount Program.

RESPONSE: It is BellSouth's position that the information requested in this Item 6 is proprietary and confidential to BellSouth. BellSouth will provide the requested information upon entry of an appropriate protective order by the Authority.

Upon entry of the protective order referenced above, (1) Attachment 1 to be attached to this response to Item 6 will constitute a list of Tennessee customers that have signed contracts pursuant to the 2001 Key Business Discount program, and (2) Attachment 2 will constitute a list of those

Tennessee customers that signed 2001 Key Business Discount customer contracts and were enrolled in BellSouth Select Business in the manner described in the response to Item 2.

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REQUEST: Provide all documents, including but not limited to, email, training materials, and internal correspondence, discussing free local telephone service offers to customers in Tennessee.

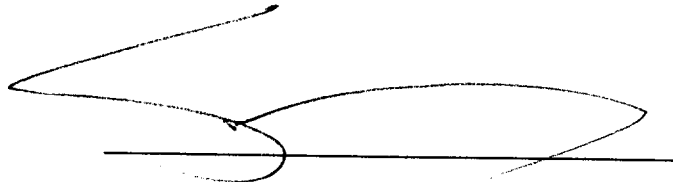
RESPONSE: The information requested in this Item 7 is proprietary and confidential to BellSouth. BellSouth will provide the requested information upon entry of an appropriate protective order by the Authority.

CERTIFICATE OF SERVICE

I hereby certify that on October 26, 2001, a copy of the foregoing document was served on the parties of record, via the method indicated:

- ☒ Hand
- ☐ Mail
- ☐ Facsimile
- ☐ Overnight

Henry Walker, Esquire
Boult, Cummings, et al.
P. O. Box 198062
Nashville, TN 37219-8062

A handwritten signature in black ink, appearing to be 'H. Walker', written over a horizontal line.